

To: CDBG Recipients and Grant Administrators

From: CDBG Division

Effective date: January 12th, 2026

RE: Housing Projects Programmatic Policy

A. Purpose

The purpose of this policy is established pursuant to IC 4-4-9.7-9. This Policy Notice sets forth clear guidelines for the administration of the Owner-Occupied Rehabilitation Program by local units of government in compliance with state and federal procurement laws IC 5-22, 2 CFR 200 Subpart D, and program administrative requirements including conflict of Interest 24 CFR 570.489(h), environmental review 24 CFR 58.5(i)(2)(i) and (ii), and lead safe housing rule 24 CFR Part 35.900. Subpart J. This policy is designed to safeguard public resources while supporting housing rehabilitation efforts that benefit eligible homeowners. Grantee are responsibilities to ensure compliance with this Policy Notice.

B. Applicability

This policy applies to all local governments that administer an Office of Community and Rural Affairs (OCRA) sponsored Owner-Occupied Rehabilitation Program. This Policy Notice governs the use of funds, contracting procedures, environmental review requirements, and conflict-of-interest standards for all housing rehabilitation projects conducted under CDBG program regulations.

C. Professional Service Contracts

Local units of governments must procure professional services through established contracting procedures that comply with IC 5-22 and 2 CFR 200, Subpart D, ensuring that qualified, independent providers are engaged and that contracts are awarded in a fair, open, and competitive manner. All professional service contracts related to a local Owner-Occupied Rehabilitation Program must be executed directly with the local government. The Office of Community and Rural Affairs (OCRA) will not authorize or accept the use of subcontracts for professional services under this policy. Direct execution of contracts with local governments ensures that accountability and oversight remain with the grantee, prevents reduction of responsibility through subcontracting arrangements, strengthens compliance with both state and federal procurement laws, and promotes consistency in the administration of CDBG program funds.

CDBG funding requests must demonstrate cost reasonableness for all proposed expenditures and must outline the use of all CDBG-related activities in CDBG applications submissions.

D. Conflict of Interest

No person who exercises or has exercised functions or responsibilities with respect to Community Development Block Grant funds may obtain a financial interest or benefit from participation in a local owner-occupied housing rehabilitation program, except for eligible administrative or personnel costs.

This prohibition applies to:

- Employees, agents, consultants, and officers
- Elected officials while holding office and their direct family members
- Appointed officials of the State, units of local government, designated public agencies, or subrecipients
- Any individual in a position to participate in decision-making or gain inside information

This provision prevents any perceived or actual conflict of interest and ensures that Community Development Block Grant funds are used in compliance with federal conflict of interest provisions outlined in 24 CFR 570.489(h) through the implementation of grant-funded projects, including local Owner-Occupied Rehabilitation Programs.

E. Overrun Fees

Local governments are authorized to use local funds to cover overrun fees incurred in connection with CDBG-funded housing projects. All local match funds used for this purpose must originate

from non-federal sources to maintain compliance with federal funding regulations and Lead Safe Housing Rule.

Prior to utilizing local funds to cover overrun fees, local governments must publicly disclose their intent to use local funds for potential overrun fees on individual CDBG-funded housing projects. This disclosure ensures transparency and public participation in financial commitments involving public funds, as required by IC 5-3-1-2. The disclosure must occur at a public hearing conducted in accordance with Indiana's Open Door Law (IC 5-14-1.5-1).

The public disclosure must include:

- The amount of local funds committed as match
- The anticipated or potential amount allocated for cost overruns
- The source(s) of local funding
- The specific characteristics of housing project(s) to which the funds will apply

CDBG-funded housing projects are limited to a maximum of \$25,000 in federal funds per home. Local funds used for overruns must be derived from non-federal sources, including but not limited to: municipal or county general funds, local tax revenues, private donations or contributions or state-sourced funds.

F. Environmental Review Requirements for Housing Projects

All environmental review costs associated with a housing project must be fully accounted for and included in the project budget before any rehabilitation activities begin. Environmental review requirements must be completed concurrently with rehabilitation work.

All housing projects must comply with:

- Radon mitigation requirements as outlined in 24 CFR 58.5(i)(2)(i) and (ii)
- Lead Safe Housing Rule as provided in 24 CFR Part 35, Subpart J (§35.900 et seq.)

When developing the scope of work for a housing project, priority should be given to costs related to:

- Radon testing
- Lead assessments
- Lead abatement activities
- Radon mitigation

These environmental costs must be included within the \$25,000 maximum cap established for housing projects. Any remaining funds within this cap may be allocated to rehabilitation activities required for the house project such as roof replacements, HVAC systems, water heaters, etc.

The Office of Community and Rural Affairs cannot successfully closeout housing projects until all environmental review requirements have been completed to the required standards.

Effective Date

This policy is effective as of January 12th, 2026, and will remain in effect until amended, superseded, or rescinded.